

TOWN OF APPLE VALLEY

FINANCIAL STATEMENTS

(UNAUDITED)

YEAR ENDED JUNE 30, 2006



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

TOWN OF APPLE VALLEY

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CPAs & ADVISORS

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Accountants' Report

The Honorable Mayor and
Town Council
Apple Valley, Utah

We have reviewed the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Town of Apple Valley as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Apple Valley.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPLIKER, PLLC
November 1, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Apple Valley (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$513,680 at the close of the fiscal year.
- Total net assets increased by \$511,646.
- Total revenues from all sources were \$614,105 and the total cost of all Town programs was \$102,459.
- Total revenue received in the General Fund was \$22,517 more than the final budget and expenditures were \$94,759 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$99,838 or 97% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, community development, public works, culture and recreation, sanitation and interest on long-term debt. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. The Town's major fund uses the accounting approaches as explained below.

Governmental funds – All of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and on page 11.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$513,680 as of June 30, 2006 as shown on the following condensed statement of net assets.

Statement of Net Assets

| | 6/30/2006 | 6/30/2005 |
|---|------------|-----------|
| Current and other assets | \$ 121,169 | \$ 2,100 |
| Capital assets | 417,920 | 30,000 |
| Total assets | 539,089 | 32,100 |
| Long-term obligations | 20,000 | 30,000 |
| Other liabilities | 5,409 | 66 |
| Total liabilities | 25,409 | 30,066 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 392,920 | - |
| Restricted | 20,922 | 617 |
| Unrestricted | 99,838 | 1,417 |
| Total net assets | \$ 513,680 | \$ 2,034 |

Governmental Activities

The cost of all Governmental activities this year was \$102,459. Of this cost, \$34,207 was paid for by those who directly benefited from the programs, \$42,624 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$508,256. General revenues, including taxes and investment earnings totaled \$105,849.

The Town's programs include: General Government, Public Safety, Public works/Streets, Culture and Recreation, Sanitation, and Community Development. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

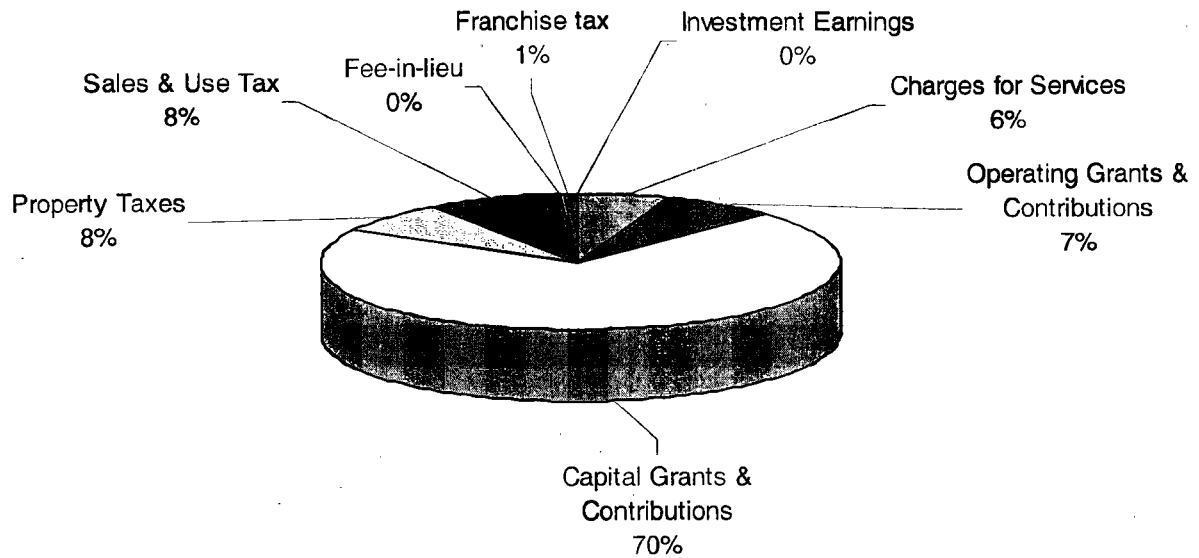
Changes in Net Assets

| | <u>6/30/2006</u> | <u>6/30/2005</u> |
|-----------------------------------|-------------------|------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 34,207 | \$ 4,124 |
| Operating grants | 44,526 | 6,622 |
| Capital grants and contributions | 431,425 | - |
| Miscellaneous donations | - | 1,693 |
| General revenues: | | |
| Property taxes | 46,184 | - |
| Sales & Use | 51,005 | - |
| Fee-in-lieu | 1,013 | 273 |
| Franchise taxes | 5,456 | - |
| Unrestricted investment earnings | 289 | - |
| Total revenues | <u>614,105</u> | <u>12,712</u> |
| Expenses: | | |
| General government | 35,822 | 1,461 |
| Public safety | 27,828 | - |
| Public works/Streets | 7,840 | 685 |
| Culture and recreation | - | - |
| Sanitation | 27,205 | 3,969 |
| Community development | 3,764 | 4,563 |
| Total expenses | <u>102,459</u> | <u>10,678</u> |
| Increase/(decrease) in net assets | | |
| before debt proceeds | 511,646 | 2,034 |
| Net assets, beginning | 2,034 | - |
| Net assets, ending | <u>\$ 513,680</u> | <u>\$ 2,034</u> |

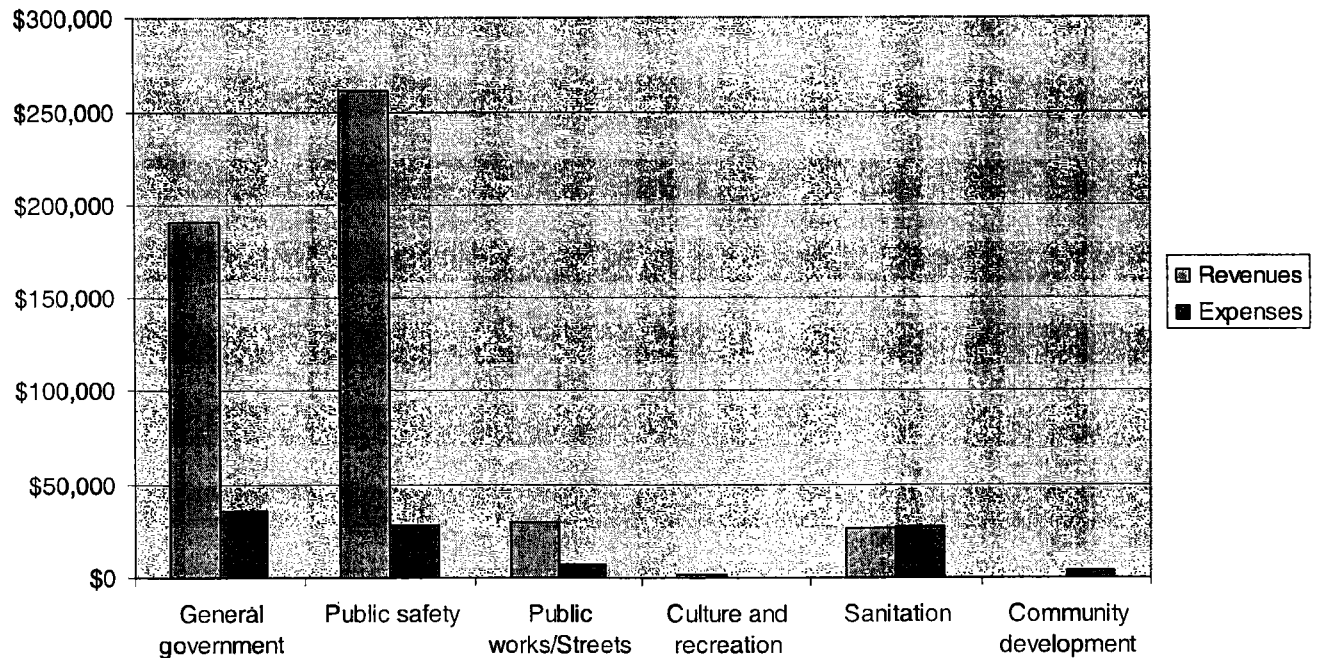
Total resources available during the year to finance governmental operations were \$616,139 consisting of Net assets at July 1, 2005 of \$2,034, program revenues of \$508,256 and General Revenues of \$105,849. Total Governmental Activities during the year were \$102,459; thus Governmental Net Assets were increased by \$511,646 to \$513,680.

The following graphs provide a breakdown of revenues by source for all government activities, and compares program revenue to program expenditures.

Revenue By Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$94,759 greater than actual expenditures. Actual revenues were greater than the final budget by \$22,517 mainly due to intergovernmental revenues. Budget reclassifications were made during the year; however, the total budget amount was not affected by these changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements. At the end of fiscal year 2006, net capital assets of the government activities totaled \$417,920. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end the Town had \$25,000 in governmental type debt. During the current fiscal year the City's total debt decreased by \$5,000. (See note 7 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2006/2007, the Town Board and management estimated the budget for operating revenues and expenditures will increase by more than \$115,000 from the 2005/2006 budget. The reason for the increase is due to a Federal grant and capital outlay that is budgeted for 2006/2007.

Also, there is a petition to dissolve the town and revert back to unincorporated county land. (See note 11 to the financial statements.)

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Pierce, Town Treasurer of Apple Valley at 6802 E. Meadow Lark Drive, Apple Valley, UT 84837.

BASIC FINANCIAL STATEMENTS

TOWN OF APPLE VALLEY
Statement of Net Assets
June 30, 2006

| | <u>Governmental Activities</u> |
|--|---|
| Assets | |
| Cash and cash equivalents | \$ 96,275 |
| Receivables (net of allowance) | 3,972 |
| Restricted assets: | |
| Temporarily restricted: | |
| Cash and cash equivalents | 20,922 |
| Capital assets (net of accumulated depreciation) | |
| Land and water rights | 247,000 |
| Buildings | 105,231 |
| Machinery and equipment | 65,689 |
| Total assets | <u>539,089</u> |
| Liabilities | |
| Accrued liabilities | 409 |
| Noncurrent liabilities: | |
| Due within one year | 5,000 |
| Due in more than one year | 20,000 |
| Total liabilities | <u>25,409</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 392,920 |
| Restricted for: | |
| Public works/Streets | 20,922 |
| Unrestricted | 99,838 |
| Total Net Assets | <u><u>\$ 513,680</u></u> |

See accompanying notes and accountants' report.

TOWN OF APPLE VALLEY
Statement of Activities
For the Year Ended June 30, 2006

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | |
|-------------------------------|------------------|------------------------------------|--|--------------------------------------|--|------------|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Total |
| | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 35,822 | \$ 7,606 | \$ 2,020 | \$ 181,664 | \$ 155,468 | \$ 155,468 |
| Public safety | 27,828 | 488 | 41,038 | 219,974 | 233,672 | 233,672 |
| Public works/streets | 7,840 | - | - | 29,476 | 21,636 | 21,636 |
| Culture and recreation | - | - | 1,468 | - | 1,468 | 1,468 |
| Sanitation | 27,205 | 26,113 | - | - | (1,092) | (1,092) |
| Community development | 3,764 | - | - | 311 | (3,453) | (3,453) |
| Total governmental activities | 102,459 | 34,207 | 44,526 | 431,425 | 407,699 | 407,699 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| | | Property taxes | | | 46,184 | 46,184 |
| | | Sales & use tax | | | 51,005 | 51,005 |
| | | Franchise tax | | | 5,456 | 5,456 |
| | | Fee-in-lieu | | | 1,013 | 1,013 |
| | | Unrestricted investment earnings | | | 289 | 289 |
| | | Total general revenues & transfers | | | 103,947 | 103,947 |
| | | Change in net assets | | | 511,646 | 511,646 |
| | | Net assets - beginning | | | 2,034 | 2,034 |
| | | Net assets - ending | | | \$ 513,680 | \$ 513,680 |

See accompanying notes and accountants' report.

TOWN OF APPLE VALLEY
Balance Sheet
Governmental Funds
June 30, 2006

| | General Fund | Total Governmental Funds |
|---|-------------------|--------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 96,275 | \$ 96,275 |
| Accounts receivable, net | 3,972 | 3,972 |
| Restricted cash and cash equivalents | 20,922 | 20,922 |
| Total assets | <u>\$ 121,169</u> | <u>\$ 121,169</u> |
| Liabilities and Fund Balances | | |
| Liabilities: | | |
| Accrued liabilities | \$ 409 | \$ 409 |
| Total liabilities | <u>409</u> | <u>409</u> |
| Fund Balances: | | |
| Fund balances | | |
| Reserved | 20,922 | 20,922 |
| Unreserved, designated for future years | 4,956 | 4,956 |
| Unreserved | 94,882 | 94,882 |
| Total fund balances | <u>120,760</u> | <u>120,760</u> |
| Total liabilities and fund balance | <u>\$ 121,169</u> | |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 417,920 |
| Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds. | | <u>(25,000)</u> |
| Net assets of governmental units | | <u>\$ 513,680</u> |

See accompanying notes and accountants' report.

TOWN OF APPLE VALLEY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

| | <u>General Fund</u> |
|--|--------------------------|
| Revenues | |
| Property taxes - current | \$ 43,435 |
| Property taxes - delinquent | 2,749 |
| Fees in lieu of property taxes | 1,013 |
| Sales and use taxes | 51,005 |
| Licenses and permits | 6,718 |
| Intergovernmental revenue | 67,115 |
| Interest income | 289 |
| Charges for services | 27,489 |
| Franchise taxes | 5,456 |
| Other revenues | 7,198 |
| | <u>212,467</u> |
| Expenditures | |
| Current: | |
| General government | 34,463 |
| Public safety | 19,755 |
| Sanitation | 27,205 |
| Public works/Streets | 3,554 |
| Community development | 3,764 |
| Debt Service: | |
| Principal | 5,000 |
| Interest | - |
| | <u>93,741</u> |
| Total expenditures | <u>93,741</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>118,726</u> |
| Net change in fund balances | 118,726 |
| Fund balance - beginning of year | <u>2,034</u> |
| Fund balance - end of year | <u><u>\$ 120,760</u></u> |

See accompanying notes and accountants' report.

TOWN OF APPLE VALLEY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

| | |
|---|-------------------|
| Net change in fund balances - total governmental fund | \$ 118,726 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (13,718) |
| Capital assets contributed to governmental funds are not recorded as revenue at the fund level. However, capital contributions to governmental activities are recorded as revenue in the statement of activities. | 401,638 |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 5,000 |
| Change in net assets of governmental activities | <u>\$ 511,646</u> |

See accompanying notes and accountants' report.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

General

The Apple Valley Municipal Corporation (Town) was incorporated in 2005. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: Public Safety, Public Works, Culture-Recreation, Public Improvements, and General Administrative Services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity. The Accompanying financial statements include all activities of the Town.

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the Town, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due. Property taxes, other taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

General Fund

The General Fund is used to account for all financial resources applicable to the general operations of Town.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the governmental activity column in the government-wide statement of net assets. Capital assets are defined by the Town as assets with individual costs of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 39 years; furniture and fixtures, 7 years; equipment, 5 years.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors or grantors.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of this reconciliation states that contributed capital assets are not reported in the governmental funds while the government-wide statement of activities reports these contributions as revenue. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

| | |
|---|----------------------------------|
| Contributed capital assets | \$ 401,638 |
| Depreciation expense | (13,718) |
| Repayment of long-term debt | <u>5,000</u> |
| Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ 392,920</u></u> |

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets.

The General Fund budget is prepared using the modified accrual basis of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 3. Stewardship, Compliance and Accountability, Continued

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the Town in two installments in December and March. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at 68% of the fair market value on primary residential property and 100% of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid. Accruals of uncollected current and prior year's property taxes are made based on subsequent receipts within sixty days of year end and are included in the amount due from other governments on the General Fund's balance sheet as applicable.

Note 4. Deposits and Investments

As of June 30, 2006 a reconciliation of cash and cash equivalents is as follows:

| | | |
|---|----|-----------------------|
| Cash on hand | \$ | 42 |
| Zions Bank - Checking | | 14,051 |
| Utah Public Treasurer's Investment Fund | | <u>103,104</u> |
| Total | \$ | <u><u>117,197</u></u> |

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, \$0 of the Town's bank balance of \$19,795 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. A copy of the financial statement for the PTIF funds can be obtained by contacting the Utah State Treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 4. Deposits and Investments, Continued

As of June 30, 2006 the government had the following investments and maturities:

| Investment Type | Fair Value | Investments Maturities (in Years) | | | |
|---|-------------------|-----------------------------------|-------------|-------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Utah Public Treasurer's Investment Fund | \$ 103,104 | \$ 103,104 | \$ - | \$ - | \$ - |
| Total Fair Value | <u>\$ 103,104</u> | <u>\$ 103,104</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the Town had the following investments and quality ratings:

| Investment Type | Fair Value | Quality Ratings | | | |
|---|-------------------|-----------------|-------------|-------------|-------------------|
| | | AAA | AA | A | Unrated |
| Utah Public Treasurer's Investment Fund | \$ 103,104 | \$ - | \$ - | \$ - | \$ 103,104 |
| Total Fair Value | <u>\$ 103,104</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 103,104</u> |

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 5. Receivables

As of June 30, 2006 the Town had the following accounts receivable:

| | |
|---------------------------------|---|
| Sanitation | \$ 1,804 |
| Property taxes | 2,168 |
| Allowance for Doubtful Accounts | <u> -</u> |
| Total Accounts Receivable, Net | <u><u> \$ 3,972</u></u> |

Note 6. Capital Assets

The following table summarizes the changes to the capital assets during the year ended June 30, 2006.

| Governmental Activities: | Balance June 30, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|---------------------------------|-------------------------------|--------------------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ - | \$ 237,000 | \$ - | \$ 237,000 |
| Water rights | <u> -</u> | <u> 10,000</u> | <u> -</u> | <u> 10,000</u> |
| Total capital assets, not being depreciated | <u> -</u> | <u> 247,000</u> | <u> -</u> | <u> 247,000</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | - | 108,000 | - | 108,000 |
| Machinery & Equipment | <u> 30,000</u> | <u> 46,638</u> | <u> -</u> | <u> 76,638</u> |
| Total capital assets, being depreciated | <u><u> \$ 30,000</u></u> | <u><u> \$ 154,638</u></u> | <u><u> \$ -</u></u> | <u><u> \$ 184,638</u></u> |
| Less accumulated depreciation for: | | | | |
| Buildings | - | (2,769) | - | (2,769) |
| Machinery & Equipment | <u> -</u> | <u> (10,949)</u> | <u> -</u> | <u> (10,949)</u> |
| Total accumulated depreciation | <u> -</u> | <u> (13,718)</u> | <u> -</u> | <u> (13,718)</u> |
| Total capital assets, being depreciated, net | <u> 30,000</u> | <u> 140,920</u> | <u> -</u> | <u> 170,920</u> |
| Governmental activities capital assets, net | <u><u> \$ 30,000</u></u> | <u><u> \$ 387,920</u></u> | <u><u> \$ -</u></u> | <u><u> \$ 417,920</u></u> |

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 6. Capital Assets, Continued

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:

| | |
|--|-------------------------|
| General government | \$ 1,359 |
| Public safety | 8,073 |
| Public works - Streets | <u>4,286</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 13,718</u></u> |

Note 7. Long-term Debt

The following is a listing of notes outstanding as of June 30, 2006.

Note payable to Washington County due in annual principal payments ranging from \$5,000 to \$20,000, bearing no interest, maturing December 31, 2007.

\$ 25,000

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

| | Balance 6/30/2005 | Additions | Retirements | Balance 6/30/2006 | Current Portion |
|--------------|-------------------------|--------------------|------------------------|-------------------------|------------------------|
| Note Payable | <u><u>\$ 30,000</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,000</u></u> | <u><u>\$ 25,000</u></u> | <u><u>\$ 5,000</u></u> |

Debt service requirements to maturity are as follows:

| Years ending June 30: | Principal | Interest | Total |
|-----------------------|-------------------------|--------------------|-------------------------|
| 2007 | \$ 5,000 | \$ - | \$ 5,000 |
| 2008 | 20,000 | - | 20,000 |
| Total | <u><u>\$ 25,000</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 25,000</u></u> |

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 8. Equity Classifications

Equity is classified in the government-wide statements as net assets and is displayed in three components:

- a) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b) Restricted net assets – consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations and designations are used to indicate that portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use.

At June 30, 2006, the Town’s reserved and designated fund balances are as follows

General Fund:

Reserved:

| | |
|--------------|-----------|
| C road funds | \$ 20,922 |
|--------------|-----------|

Designated:

| | |
|-------------------|-------|
| Fire department | 2,633 |
| Miss Apple Valley | 443 |
| Animal control | 765 |
| Parks | 928 |
| Community events | 187 |

| | |
|--------------|--------|
| Undesignated | 94,882 |
|--------------|--------|

| | |
|---------------------------|--------------------------|
| Total fund balance | <u>\$ 120,760</u> |
|---------------------------|--------------------------|

Note 9. Defined Benefit Pension Plan

The Town has no full-time employees and does not participate in the Utah State-Wide Local Government Retirement Systems.

TOWN OF APPLE VALLEY
Notes to the Financial Statements
June 30, 2006

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance through the Utah Local Government Trust for general liability, auto liability, employee dishonesty, and worker's compensation.

Note 11. Subsequent Events

As of the date of report, there is a petition to dissolve the Town of Apple Valley and revert it back to unincorporated county land. The petition has the signatures it needs to be presented to the county clerk to verify the signatures. If the petition is validated an election will be held on the issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APPLE VALLEY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

| | Budgeted Amounts. | | Actual | Variance |
|----------------------------------|-------------------|-----------|------------|-----------------------------|
| | Original | Final | Amounts | Favorable/ (Unfavorable) |
| Revenues | | | | |
| Property taxes - current | \$ 36,550 | \$ 36,550 | \$ 43,435 | \$ 6,885 |
| Property taxes - delinquent | - | - | 2,749 | 2,749 |
| Fees in lieu of property taxes | - | - | 1,013 | 1,013 |
| Sales and use taxes | 5,400 | 5,400 | 51,005 | 45,605 |
| Licenses and permits | 5,500 | 5,500 | 6,718 | 1,218 |
| Intergovernmental revenue | 111,000 | 111,000 | 67,115 | (43,885) |
| Interest income | 500 | 500 | 289 | (211) |
| Charges for services | 24,000 | 24,000 | 26,113 | 2,113 |
| Francise taxes | 5,000 | 5,000 | 5,456 | 456 |
| Other revenues | 2,000 | 2,000 | 8,574 | 6,574 |
| Total revenues | 189,950 | 189,950 | 212,467 | 22,517 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 57,000 | 57,000 | 34,463 | 22,537 |
| Public safety | 67,500 | 67,500 | 19,755 | 47,745 |
| Sanitation | 24,000 | 24,000 | 27,205 | (3,205) |
| Public works/Streets | 38,000 | 38,000 | 3,554 | 34,446 |
| Community development | 2,000 | 2,000 | 3,764 | (1,764) |
| Debt service: | | | | |
| Principal | - | - | 5,000 | (5,000) |
| Interest | - | - | - | - |
| Total expenditures | 188,500 | 188,500 | 93,741 | 94,759 |
| Net change in fund balances | 1,450 | 1,450 | 118,726 | 117,276 |
| Fund balance - beginning of year | 2,034 | 2,034 | 2,034 | - |
| Fund balance - end of year | \$ 3,484 | \$ 3,484 | \$ 120,760 | \$ 117,276 |